

**Subject:** RIS - Improving the effectiveness of the consumer guarantee and supplier indemnification provisions under the Australia Consumer law

**Submission:**

The following is a formal written submission that can support consumers in relation to potential remedies for motor vehicles, where a deemed failure to comply with consumer guarantees applies. To enable the confident participation of consumers in markets, in which both consumers and suppliers trade fairly, confidence in any potential remedy of motor vehicle values is required.

RedBook (a division of carsales.com Ltd) is recognised as the leading supplier of independent market new and used vehicle values in Australia. For every vehicle in the Australian market, RedBook provides accurate condition, kilometre and factory option adjusted new and used vehicle pricing.

The RedBook used valuations can be used within a remedy framework, when a full refund is not appropriate, via the age (as an example outside of the formal warranty period) or condition of the vehicle. The RedBook used vehicle values can be multiplied by an “inconvenience” factor to supply an above market used vehicle valuation, if required.

Applying an independent, transparent and consistent motor vehicle valuation process will assist both consumer and supplier understanding and acceptance of a partial refund remedy framework, if required.

**Company Background:**

RedBook is the leading provider of vehicle identification and pricing information in the Asia Pacific region, including Australia, New Zealand, Thailand, China, Hong Kong, Malaysia, Singapore, Indonesia and the UAE. The company that operates the RedBook stable of data analysis and systems is Automotive Data Services Pty Ltd. We have been researching the automotive market in Australia for over seventy years and our success has been based on pedantic and independent research, maintaining credibility and authoritative information. Our International Offices commenced in 1986. Our RedBook Australian staff have unparalleled experience in the Automotive market.

Automotive Data Services Pty Ltd is a subsidiary of carsales.com Limited henceforth known as Carsales. Carsales is an Australian publicly listed top 100 company based in Melbourne, with over 600 employees in Australia. Carsales is the clear market leader in automotive classifieds and data in Australia.

We are at the forefront of the information technology industry and have a substantial influence in the Australian market and are the only company who have access to Carsales market data. RedBook provides its services to the automotive industry, original equipment manufacturers (eg, Subaru, BMW, Nissan, etc) henceforth known as OEMs, major financiers, the insurance industry, government departments and others. We are recognised in Australia as the most accurate, independent provider of vehicle identification, specification and guide pricing services with unique access to market data. Our reputation has been forged over many years back to the 1950’s as the independent experts in the Industry. Due to the myriad of customers we represent, we independently research and report what we comprehend in the market and do not skew results based on individual customer projects.

In addition, we operate RedBook Inspect, one of the largest motor vehicle inspection businesses in Australia. We use the latest tech to drive improved safety and commercial outcomes to a range of industry sectors, including rideshare, finance, consumers and dealers.

### **Research:**

RedBook's databases are unequalled for depth, accuracy and credibility. The research commences with precise vehicle identification data on every generic vehicle sold as new into the market. When a generic vehicle is sold as new, we research factual information provided by the OEM, which includes both the unique identification description which is linked to the Manufacturer Suggested Retail Price (MSRP) (or as it is better known in Australia, (RRP) Recommended Retail Price) stated by the OEM and the standard equipment in the vehicle. Our vehicle identifications are at a unique level matched to the price the vehicle was sold when new, which is critical to our business of providing used vehicle pricing, as identifying the right vehicle is one of the most important factors in providing a used vehicle pricing guide. The database utilises vehicle build years, i.e. the year the vehicle was produced in the factory. Every vehicle variant is matched to the RedBook Code, which is unique to the particular vehicle and remains with that vehicle throughout its life. It has been proven by over fifty years of practical usage and it's the basis of the RedBook information system and everything that flows from it.

Our used vehicle research begins with finding out what is happening to new and used car prices in the marketplace. RedBook derives its pricing information by extensive research of the retail and wholesale markets, via vehicles listed for sale on carsales.com.au and other websites (last advertised price), auction results from all the major houses (wholesale, fixed price and retail), data provided by the major manufacturers(RRP), sales data from dealers (wholesale and retail), independent industry consultants (detailed monthly reports on movement in the wholesale and retail markets) and other sources (such as industry/consumer feedback).

RedBook has exclusive access to Carsales classified advertised information, the clear market leader and dominant Australian advertiser and seller of new and used cars. Carsales is a very close approximation to the entire new and used vehicle retail market in Australia. Carsales has approximately 150,000 inventory items at any one time (approximately 60,000 private advertisers and 90,000 dealer ads). Every carsales.com.au advertisement is matched to a RedBook code to uniquely identify the vehicle and has since Carsales commenced in 1997. Every month many thousands of advertisements are added and subtracted, in addition to many pricing movements during the lifetime of an individual Ad. In addition, Carsales operates wholesale dealer products, where dealers provide wholesale data and buy and sell vehicles at a wholesale industry level. In addition we obtain wholesale transactional data from the major auction houses, again matched to a unique RedBook Code. We receive data on the vast majority of all industry wholesale volume every month, between 12,000-20,000 transactions per month. In addition, we have other supplemental sources of data including directly from dealers, OEMs and other sources (generally retail).

The data is then analysed by our highly experienced Australian RedBook staff utilising RedBook IP built up over many decades with additional market intelligence supplied by a number of Industry Consultants, who are amongst the largest buyers and sellers of vehicles in the Australian wholesale and retail markets. All the sources are used for both the wholesale and retail pricing data with brand relativity and model performance being used as an additional validation on the resulting pricing data. This enables us to analyse hundreds of thousands of data points a month, to assist with both demand and supply metrics, to provide wholesale and retail used guide prices, using techniques mastered over 70 years. The used guide price, is what a vehicle should be worth subject to specific condition assumptions (Good and Average) in the retail and wholesale market. A particular vehicle is unique and is worth what someone is prepared to pay for it, our guide pricing is what it should be worth based on the condition assumptions.

## **Pricing Definitions:**

Below is a high level definition of our pricing guide:

**Original Equipment Manufacturer (OEM):** the company that manufactured the vehicle. For vehicles built in Australia this will be the actual manufacturer and for vehicles built overseas this will be the manufacturer's appointed representative to manage the importation and sale of their vehicles in Australia.

**Manufacturer Suggested Retail Price (MSRP) or Recommended Retail Price (RRP):** the manufacturer's suggested selling price for the vehicle excluding any on-road costs such as government duties & charges and dealer delivery fees.

**Wholesale Price:** The cost to the dealer to have the vehicle on the lot ready for sale. This price will include any costs associated with the purchase, transportation and rectification of the vehicle.

**Retail Price:** The price a dealer would expect to achieve for a vehicle when sold. This would include a dealer's profit margin and warranty cost allowances.

Note, the used guide price for a particular vehicle model may remain the same across one or more months where there are not a sufficient number of data points to indicate to RedBook that there has been a material change in the market price for a vehicle.

**Brand relativity:** The effect the manufacturer's name has on selling price. Generally, every market segment has brands that are recognised as the market segment leaders and, as such, sellers have the ability to command a higher price for their vehicle in the used market. This is especially true when understanding price performance differences between established brands and new market entrants.

**Model performance:** This is essentially the same as brand relativity, except at a model range/variant level. Every market segment and manufacturer has particular model ranges and individual variants that are perceived as more valuable and this perceived value is shown in prices buyers are willing to pay for those models and not willing to pay for competitor models.

Pricing data is received for vehicles in a range of physical conditions, however the market practice is to analyse vehicle pricing for the two common conditions, namely "Average" and "Good". Once the "Average" and "Good" used prices have been determined, we then calculate the used pricing for the physical conditions of "Near New", "Very Good", "Fair" and "Poor". Pricing data for vehicles in these less common conditions is used to validate the derived values.

**Average Condition:**

- The vehicle has travelled approximately 25,000 kilometres per year.
- The vehicle has been reasonably well maintained.
- The body and interior have a reasonable degree of originality.
- The vehicle should be mechanically sound and not require any major repairs to be made ready for sale.

**Good Condition:**

- The vehicle has travelled approximately 15,000 kilometres per year.
- The vehicle has been well maintained.
- The body and interior have a high degree of originality with minimal signs of wear.
- Only minor repairs should be needed to make the vehicle ready for sale.

Other less common conditions are Near New and Very Good which sit above Good and Fair and Poor which sit below Average.

Important Assumptions:

- All vehicle prices include GST and LCT where applicable.
- On-road costs are not included in prices.
- At least 50% of tyre wear remaining.
- At least six months of registration remaining.

If you have any questions at all please don't hesitate to contact us.

Sincerely,

**Ross Booth**  
**General Manager**